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Director of  
Central  
Intelligence

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CIACPAS WID 85-247JX

## National Intelligence Daily

Wednesday  
23 October 1985

APPROVED FOR RELEASE ☐ DATE:  
07-22-2010

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CPAS NID 85-247JX

23 October 1985

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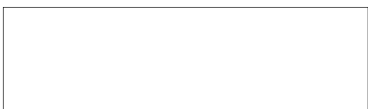
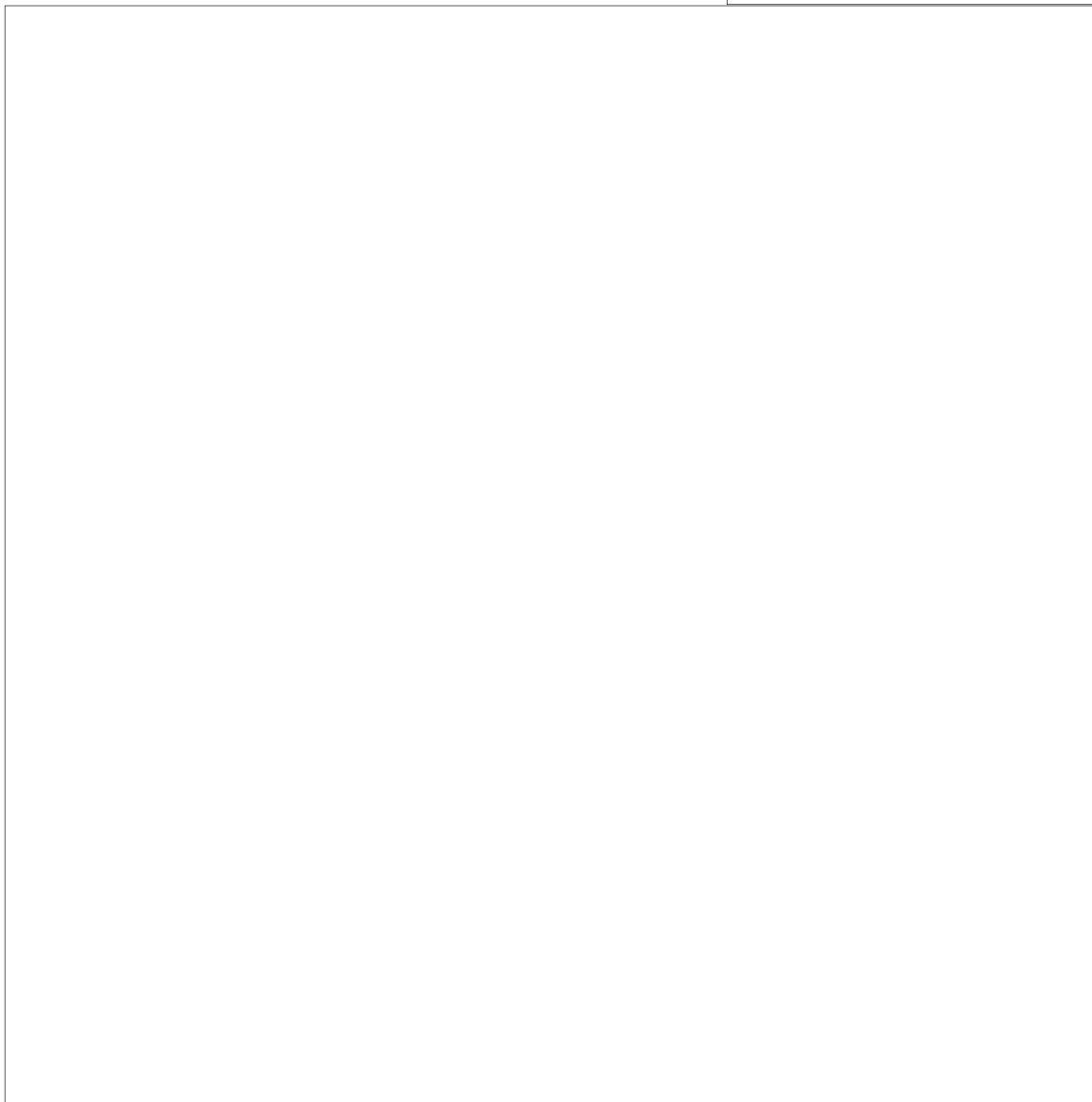
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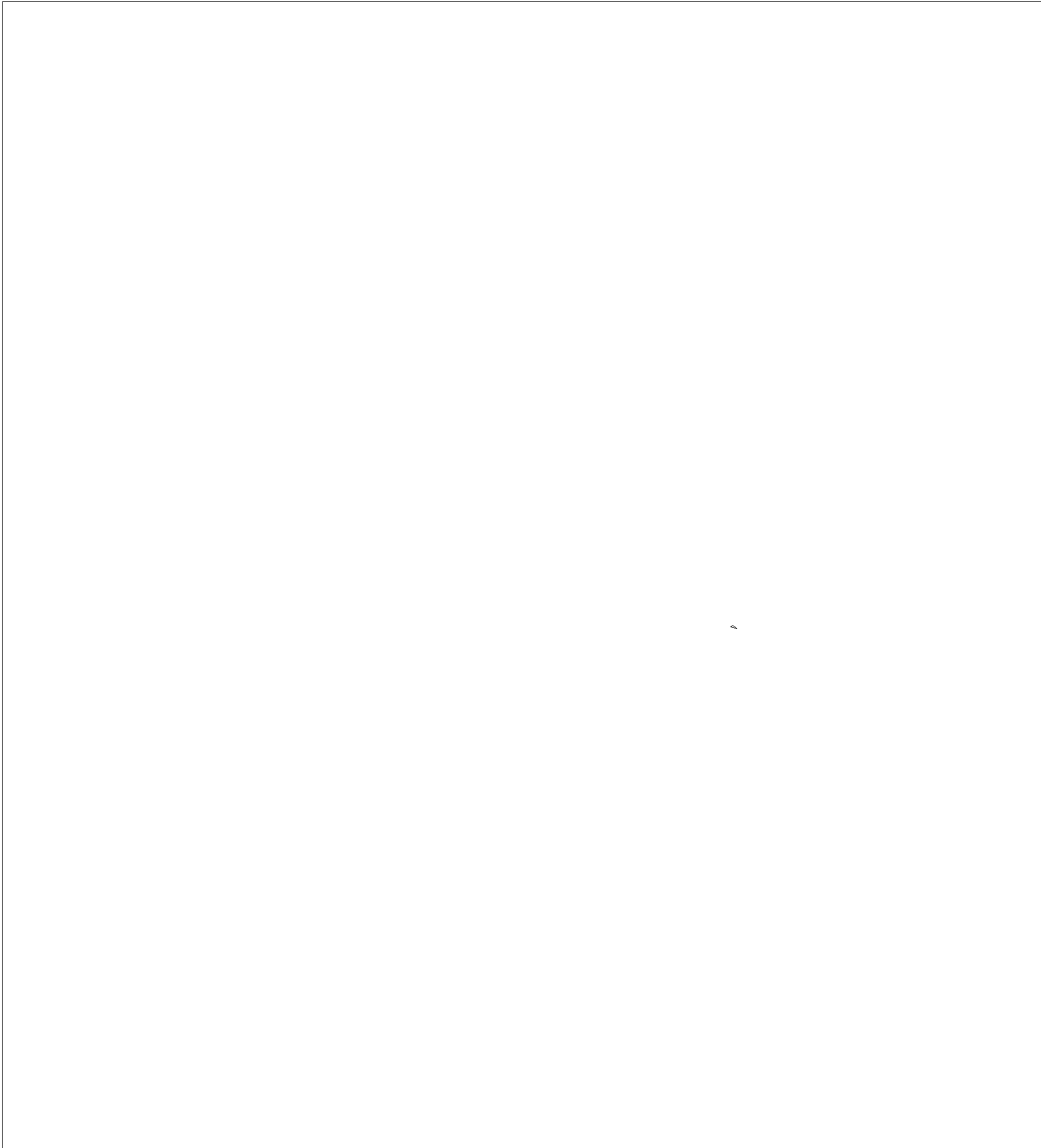


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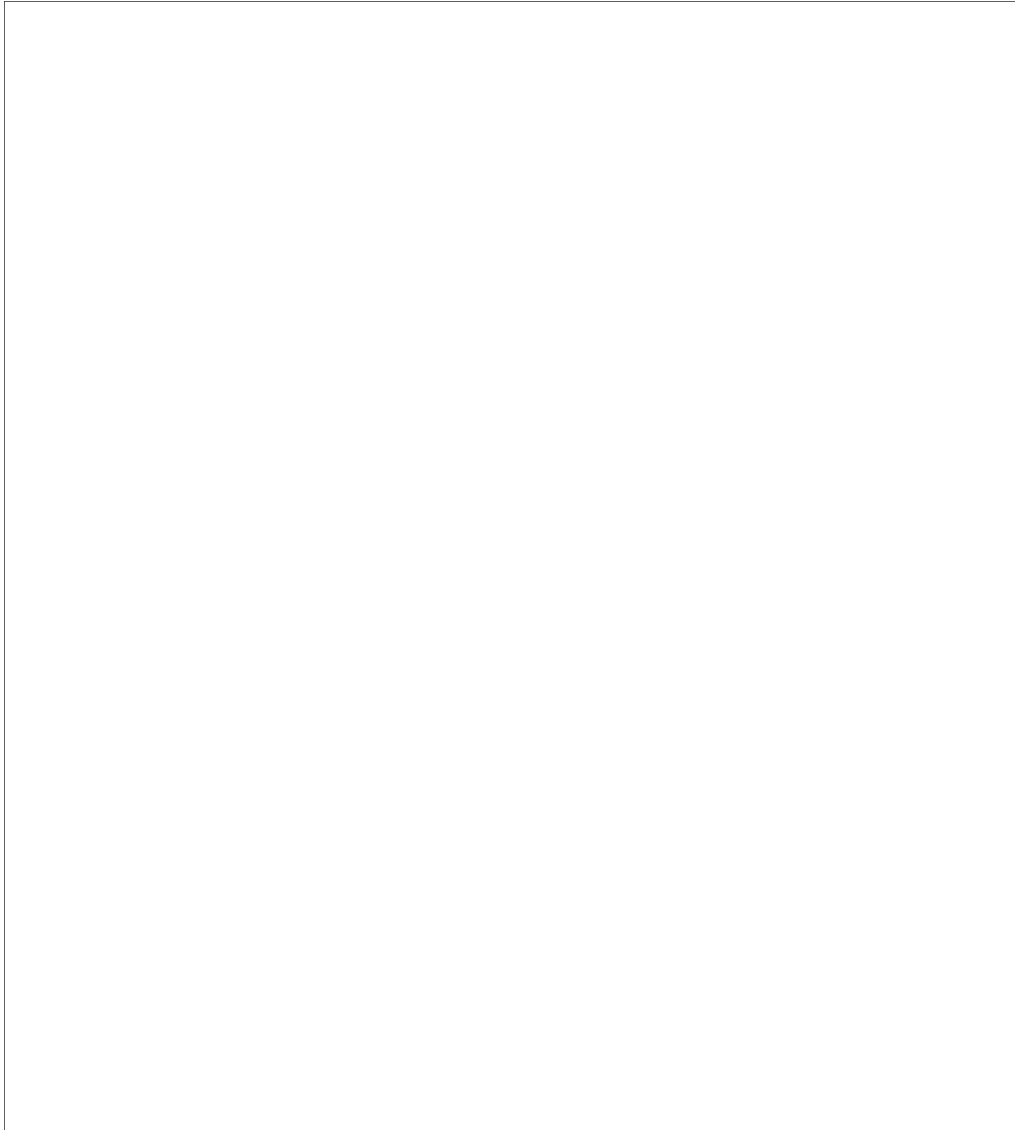


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#### WEST GERMANY-POLAND: Parties' Statement on Security

Representatives of the West German opposition Social Democratic Party and the Polish Communists plan to issue a joint statement on confidence-building measures when a Polish delegation visits Bonn on 7 November. [redacted] The statement is to repeat standard Social Democratic calls for greater East-West collaboration on security, including a nuclear weapons freeze, nuclear- and chemical-weapons-free zones, and the nonmilitarization of space. The two parties also will demand an end to all nuclear tests and reductions in offensive conventional weapons in central Europe. [redacted]

**Comment:** The Social Democrats apparently are determined to continue their talks with East European Communist parties even though such contacts may make it harder for Johannes Rau, the party's prospective chancellor candidate, to deflect Christian Democratic charges of undermining the Western Alliance. The Social Democrats probably are mainly interested in upstaging the government on Ostpolitik—especially because polls show far greater support in West Germany for improving relations with the East than for strengthening NATO defenses. Warsaw may be using what it sees as growing Social Democratic strength to induce Chancellor Kohl's government to give renewed assurances that it respects the legal validity of the German-Polish border, among other issues. [redacted]

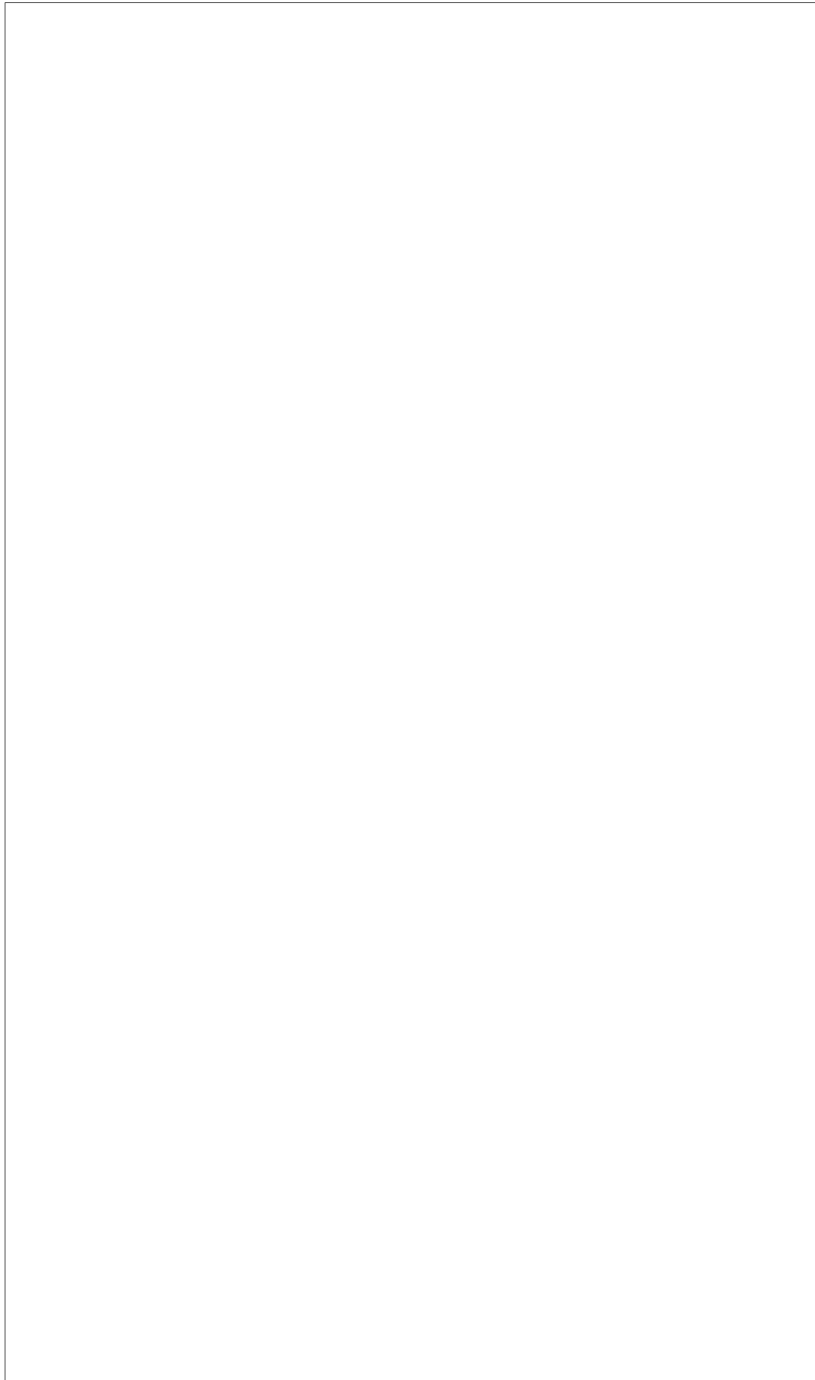
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#### **YUGOSLAVIA: Disappointing Trade Performance**

Latest official figures show that Yugoslavia is falling short of IMF targets for hard currency balance-of-payments performance this year. Despite improvements in recent months, poor trade results early this year and smaller-than-expected growth in tourism saddled Belgrade with a current account deficit of \$77 million for the first seven months of 1985, as compared with a surplus of \$225 million for the same period last year. The Yugoslavs also suffered a \$393 million drain on the capital account. To cover shortfalls, Belgrade has had to draw down its hard currency reserves to a level comparable with that during its liquidity crisis in 1982.

**Comment:** Although its performance apparently improved in August, Belgrade is unlikely to meet the IMF targets of an \$880 million current account surplus and a \$200 million increase in reserves for this year. Belgrade may try to cut back imports to improve its position, but this would probably depress its industrial performance of its industry. Failure to achieve the IMF goal will hurt prospects for both the multiyear debt-rescheduling agreement from Western governments and an end to close IMF supervision, which Belgrade hopes to negotiate next year.

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#### **SYRIA-ARAB STATES: Possible Summit**

The cordial tone of the reconciliation talks in Riyadh between Syria and Jordan may pave the way for an Arab minisummit sponsored by the Saudis. The Prime Ministers of Syria and Jordan concluded two days of talks on Monday with a three-point accord affirming their willingness to normalize relations and pursue a comprehensive peace plan as envisioned at the Fez summit in 1982.

**Comment:** King Hussein wants to improve relations to reduce the threat of Syrian-sponsored terrorism against Jordanian interests. President Assad probably believes the Hussein-Arafat initiative has been fatally weakened by recent events that damaged Arafat's international standing. Assad's willingness to seek an accommodation with Jordan—and possibly Iraq—probably also is calculated to obtain further Saudi aid and perhaps to seek alternative allies, in view of Iran's declining ability to supply Syria with oil.

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#### **SOUTH AFRICA: Violence in Western Cape Province**

Senior officials in Pretoria are divided over extending the state of emergency to new areas including western Cape Province, [REDACTED]

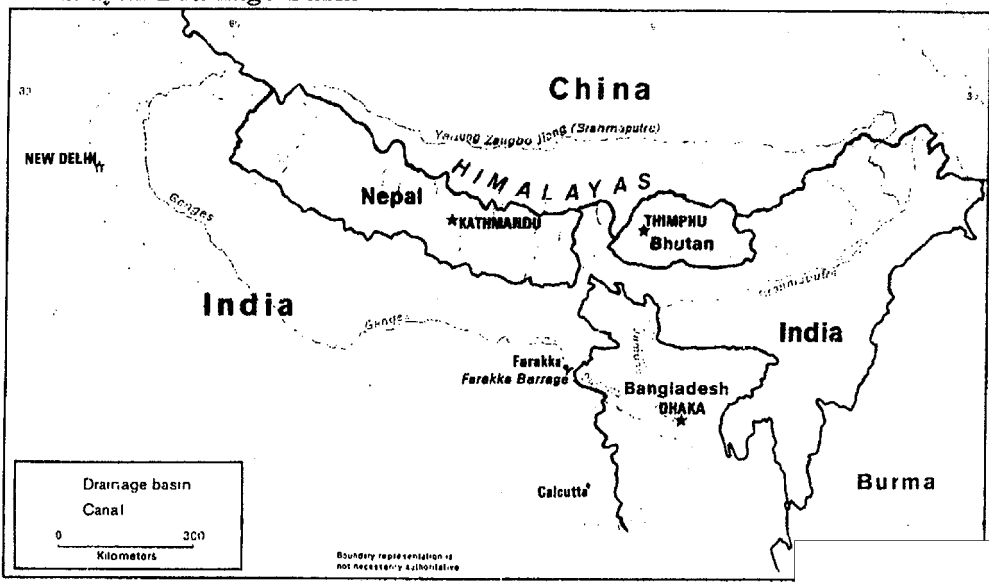
[REDACTED] The Province is now experiencing its second week of increased violence. New riot control equipment—including water cannons—has been sent to the area to combat violence by militant youths, including attacks on white-owned property. Nine nonwhite labor unions representing 40,000 workers yesterday expressed their support for youths involved in the unrest. [REDACTED]

**Comment:** Pretoria is unlikely to extend emergency powers to the western Cape because it would provoke international criticism and probably aggravate unrest in the townships as the government prepares for parliamentary byelections later this month. Moreover, the government can take more severe security measures without the formality of extending the state of emergency. Whites in the area are likely to resort to vigilantism if the violence continues to spread outside nonwhite townships. [REDACTED]

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### Himalayan Drainage Basin



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#### INDIA-BANGLADESH: Agreement on Sharing Water

Prime Minister Gandhi and President Ershad agreed on a formula to settle problems on sharing water at the recent Commonwealth summit in the Bahamas.

the two leaders decided to extend a 1982 agreement on sharing water from the Ganges River and to set up a joint commission to study ways to increase the flow of the river. The study is to be completed in a year, after which Gandhi and Ershad will meet again to work out a new agreement.

**Comment:** The agreement illustrates Gandhi's efforts to improve India's relations with its neighbors. Bangladesh will be heartened by his willingness to solve the water problems, long an irritant in bilateral relations. The two sides have conflicting ideas on how to increase the river's flow, however, and negotiations within the joint commission probably will take longer than a year.

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**In Brief**

**Middle East**

- Arafat unlikely to accept resignation of Khuri from **PLO** Executive Committee . . . Khuri distressed by collapse of planned meeting of **UK** Foreign Secretary and **PLO-Jordanian** group . . . departure would weaken Arafat's moderate support.

**Iraq** diverting more imports to ports outside Persian Gulf to prevent **Iranian** seizures . . . use of ports in Turkey, Jordan, Saudi Arabia will increase costs and delays.

- **Ireland** likely to withdraw contingent from UNIFIL within six months if **Israel** remains in southern **Lebanon** . . . Dublin believes Israeli presence endangers its unit by attracting terrorists . . . also having trouble finding competent commander for unit.

**Americas**

- **Peru** to step up antinarcotic efforts this month . . . in reversal of policies, military will support police operations in major coca-growing area . . . will test commitment to drug control by President Garcia, police commanders

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**USSR**

[redacted] Soviet-produced very-large-scale integrated microcircuits being used in scientific satellite . . . suggests equally advanced technologies to be in military spacecraft that may be tested in 1987-88. [redacted]

**Asia**

— **Philippines** First Lady Imelda Marcos leading religious and parliamentary group to Moscow Saturday . . . requested audience with high-level **Soviet** officials, including Gromyko and Shevardnadze . . . Moscow likely to use visit to enhance relations. [redacted]

— New finds increased January-September production at **China's** second-largest oilfield by almost 24 percent over same period in 1984 . . . Beijing investing \$8 billion to double field's output by 1990. [redacted]

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President Abdou Diouf



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### Special Analysis

SENEGAL-US:

#### President Diouf's Visit

***President Abdou Diouf is in the US this week seeking assurances of strong US support as his pro-Western government wrestles with economic difficulties and an IMF austerity program.***

Senegal's economic development has been stunted by recurrent drought, a limited number of products for export, and mismanagement of the country's scarce resources. Consumption continues to exceed production, necessitating IMF and other international assistance as well as frequent debt reschedulings. As a result, Senegal receives the largest amount of foreign aid in French-speaking Africa.

Diouf understands the need for economic reform and took politically risky steps in April to remove government subsidies on basic consumer goods and to impose other measures to liberalize the economy. Political constraints, rapid population growth, and the spread of deserts, however, have slowed reform.

Deteriorating economic conditions have reduced Diouf's popularity to its lowest point since he took office in 1981. Government officials and special interest groups, including labor unions and powerful Muslim brotherhoods, are likely to obstruct reforms that threaten their privileges. Although reaction to austerity so far has been nonviolent, the patience of many Senegalese is probably wearing thin.

Diouf is suspicious of Soviet, Libyan, and Iranian activities in the region and believes that only strong Western support can adequately protect West Africa. Although Diouf will continue his moderate, pro-Western foreign policy, he will need large amounts of Western assistance to keep his country afloat. France is Senegal's principal protector and economic benefactor, but it lost some credibility following its withdrawal from Chad last year, and Diouf is likely to look increasingly to the US for support.

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